

Renewal Communities Program

Description and Background

There are **four elements** of the Renewal Communities program as set forth in the Community Renewal Tax Relief Act of 2000. Forty renewal communities (RCs) were designated by the Department of Housing and Urban Development. The 28th Congressional District has three RCs: Buffalo-Lackawanna, Niagara Falls, and Rochester. Businesses and investors in these designated areas may be eligible for special tax incentives. There are four categories of benefits:

1. Employment credit of 15% for first \$10,000 of qualified wages for each qualified employee per year;
2. Additional section 179 deduction of up to \$35,000 for qualified renewal property;
3. Capital gain exclusion for qualified community assets held more than five years; and
4. Commercial revitalization deduction or special amortization schedule for the costs of building or substantially rehabilitating an existing qualified revitalization building.

The first three types of benefits (**the employment credit, section 179 deduction and capital gains exclusion**) *are uncapped*. Taxpayers can claim these benefits directly with the Internal Revenue Service. The commercial revitalization deduction, which is available for the cost of the building or costs to substantially rehabilitate an existing building, is subject to limitations.

The **commercial revitalization deduction** also requires the involvement of the local commercial revitalization agency (CoRA). The CoRA evaluates the application and forwards it to the state economic development agency (the Empire State Development in New York) for final approval. Each state economic development agency is permitted to allocate up to \$12 million of “commercial revitalization expenditures” to each renewal community located within the state.

Once a taxpayer is approved for a share of their RC’s allocated “commercial revitalization expenditures,” the taxpayer can choose one of two ways to reflect this benefit on his/her federal tax return. The taxpayer can either deduct one half of the commercial revitalization expenditures in the first year or amortize 100% of the expenditures over 120 months. No more than \$10 million can be claimed for the construction costs or revitalization expenses of the building, which must be located within the renewal community and used for commercial purposes. Accepting this benefit bars the taxpayer from claiming depreciation for these amounts.

For more information go to:

HUD--<http://www.hud.gov/offices/cpd/economicdevelopment/programs/rc/index.cfm>

<http://www.hud.gov/offices/cpd/economicdevelopment/news/taxincentives051701.pdf>

Joint Committee on Taxation--

<http://www.house.gov/jct/x-40-02.pdf>

IRS--

<http://www.irs.ustreas.gov/pub/irs-pdf/p954.pdf>